ANNUAL REPORT 1967

The GRAND UNION COMPANY

GRAND UNION

At left

Grand Union Makes Shopping More Rewarding
Attractive displays of fresh, quality produce, specially-priced, family-size packages of meat, a wide variety of grocery and specialty items, plus Triple-S Blue Stamps all contribute to making Grand Union shopping an especially rewarding experience.

Financial Highlights 1967

	1967 (53 Weeks)	1966 (52 Weeks)
Net sales	**$935,863,768**	$836,241,741
Earnings before federal income taxes	**21,065,042**	20,303,811
Federal income taxes	**9,685,000**	9,400,000
Net earnings	**11,380,042**	10,903,811
Earnings per common share*	**1.90**	1.83
Cash dividends per common share* (Present annual rate 60 cents)	**.59**	.56
Net earnings as a percent of sales	**1.22**	1.30
Working capital	**51,770,617**	48,992,144
Ratio of current assets to current liabilities	**1.94 to 1**	1.97 to 1
Common shares outstanding	**5,907,214**	5,558,193
Number of common stockholders	**15,050**	15,369

*Based on the average number of shares outstanding during the respective periods, adjusted for the 5% common stock dividend paid May 19, 1967. Earnings per share are stated after dividends paid on the 4½% cumulative preferred stock.

CONTENTS

Architect's rendering of Grand Union's new Computer and Accounting Center now under construction in Paramus, New Jersey. This modern 50,000 square foot office building is scheduled for occupancy late in the summer of 1968.

ANNUAL MEETING

The annual meeting of stockholders will be held at 11 A.M., Wednesday, May 22, 1968 in the auditorium of the Garden State Plaza Shopping Center, Routes 4 and 17, Paramus, New Jersey. A notice of the meeting, a proxy statement and form of proxy are being mailed to each stockholder with this report.

To Our Stockholders

Charles G. Rodman, President

A substantial increase in sales and a new high in earnings were achieved in the 53-week 1967 fiscal year which ended March 2, 1968. Sales were $935,863,768, exceeding those of the 52-week 1966 year by $99,622,027, or 11.9%.

Net income in 1967, after all taxes and depreciation, totaled $11,380,042, or $1.90 per share of common stock, based on the average number of shares outstanding during the year. This new high in earnings compares with a 1966 net of $10,903,811, or $1.83 per share, after adjusting for a 5% stock dividend distributed in May, 1967.

At their meeting on April 12, 1968, the Directors of the company voted a year-end 5% stock dividend in addition to the regular quarterly cash dividend of 15¢ per common share of stock. Both are payable on May 17, 1968 to stockholders of record on April 22.

New Chief Executive Officer Elected

Charles G. Rodman, President of the company, became its Chief Executive Officer on March 2, 1968, upon the retirement of Thomas C. Butler from active management.

Mr. Rodman, 46, joined Grand Union in 1952 as Real Estate Manager. Before becoming President, he served as a Divisional Vice President, Executive Assistant to the President, Vice President in charge of Supermarket Operations and Executive Vice President of the Supermarket Division.

Mr. Butler, retiring after nearly fifty years of service to the company, remains Chairman of the Board, a member of the Executive Committee and consultant to management.

Responsibilities for Senior Officers Realigned

Realignments of responsibility for three other senior officers were made in 1967.

Emerson E. Brightman, formerly Senior Vice President in charge of food merchandising, was elected Executive Vice President in charge of the Supermarket Division. He is now responsible for all supermarket operations and merchandising, as well as manufacturing, warehousing and trucking.

William H. Preis, Senior Vice President, was given responsibility for diversified operations. These are the Triple-S Blue Trading Stamp subsidiary, North American Equipment Corporation, and the restaurant and Grand Rx Drug Store operations.

Earl R. Silvers, Jr., Vice President for corporate planning, was named Administrative Vice President and is in charge of finance, computer activities, budgeting, security, general auditing, research and productivity, as well as corporate planning.

During the year the resignation of William I. Myers, former Dean of the New York State College of Agriculture, Cornell University, who had been a Director since 1956, was accepted with regret.

Prospects for 1968

We believe that fiscal 1968 will be the first billion dollar sales year in the 96-year history of Grand Union.

During the first months of 1968, food sales, which account for more than 90% of our business, were up substantially over a year ago. Indications are that the improvement in earnings which started in the last half of last year is being sustained.

Stockholders are reminded that the right to convert the company's 4⅛% Subordinated Debentures, due 1978, into common stock will expire on July 15, 1968. Of the original issue of $10,426,700 in debentures, $3,665,500 had been converted as of April 11, 1968, into 160,040 shares of common stock. Conversion of the debentures may be made anytime prior to the expiration date of the conversion privilege.

We thank the more than 22,000 Grand Union employees for the work they did in making 1967 a year of success and look forward with great confidence to continued growth of the company in 1968 and beyond.

Thomas C. Butler, Chairman

Charles G. Rodman, President

April 22, 1968

Thomas C. Butler, Chairman

Review of Operations

Grand Union grocery sections offer shoppers a wide range of choice. Selection can be made from thousands of varieties of nationally advertised brands or Grand Union's own brands.

Supermarket Division

While 1967 was a record year for Grand Union, sales and profits were lower than planned during the first half. This was due in part to a carry-over of consumer resistance to higher prices from the Fall of 1966. Intense competitive activity in certain of our major marketing areas was also a factor. The latter necessitated a temporary lowering of profit margins in order to maintain our share of the market. During the last six months, however, our sales increased substantially and we were able to improve our profit margins.

A number of factors were responsible. Generally, family incomes continued to increase as food prices remained relatively stable and consumer spending picked up. Internally, we developed better methods of maintaining in-stock positions in our stores and implemented the company's policy of offering customers freedom of choice between a balanced line of nationally advertised brands and our own, lower-priced comparable brands. We continued to maintain fully competitive pricing in each operating area and employed effective means of controlling costs. In our merchandising, strong emphasis was placed on appealing to the younger married families making up more and more

An increasing number of larger Grand Union stores include such special service departments as on-premise bakeries which provide top-quality, oven-fresh baked goods.

of the population. We continued the development, through training, of high levels of skill on the part of all the company's employees.

Twenty-two new Grand Union supermarkets, averaging 20,770 square feet each, were opened in fiscal 1967. An equal number of older, outmoded markets, averaging 7,060 square feet each, was closed. Fifteen existing supermarkets were enlarged and another twenty-seven were thoroughly renovated.

To support our growth in metropolitan Washington, D.C., our distribution center in Landover, Maryland, was enlarged by more than 40% to 168,000 square feet. It now has one of the nation's most modern meat handling facilities, a vastly expanded produce section and a substantially expanded grocery storage area. We have also started construction of a new meat warehouse in Cortland, New York, to serve our stores in central New York State.

Catering to the desire of more and more housewives to feed their families better, Grand Union has increased its lines of convenience, gourmet and nationality foods, also installed frozen cake and pastry departments, added bake-off units in some larger stores, and greatly increased the number of service delicatessen departments. Forty-one delicatessens were opened in 1967, bringing the total to 198. Another 10 fresh fish and seafood departments were added, making 132 in our supermarkets. We are also experimenting with gourmet cheese shops in half a dozen larger stores with good results.

This meat department in a recently renovated store illustrates Grand Union's policy of up-dating and modernizing existing facilities.


Friendly, courteous, efficient personnel are Grand Union's greatest asset. Young people are given every opportunity to advance through a wide variety of training programs.


Customers at Grand Union not only pay low prices, but receive an extra bonus in trading stamps.

We plan a greater expansion of the company's Supermarket Division this year. About twenty-six new Grand Union markets will be opened and twenty enlarged. In addition, we plan to renovate fifteen of our supermarkets.

During 1968 we intend to further improve our operation so as to increase the degree of customer satisfaction that results from maintenance of friendly, well-stocked, clean, easy-to-shop stores. Strict control will be exercised over the quality and condition of merchandise and competitive prices will prevail throughout our operating areas. Our objective will be to increase sales through existing stores as well as add volume by opening new ones.

Grand Way Division

Consolidation for progress marked Grand Union's 1967 fiscal year in the field of general merchandise retailing.

Two new Grand Way discount stores were opened, one in Newburgh, New York, and one in Bristol, Connecticut. Two of the earlier Grand Ways, in Poughkeepsie and Vestal, New York, that had been rendered obsolete by the opening of newer, larger Grand Ways in nearby communities, were phased out of general merchandise and converted into large, modern supermarket operations.

At the start of the current fiscal year, the old Grand Way in Danbury, Connecticut, was replaced by a modern 80,000 square foot unit with the old store being converted into a large supermarket. The Manchester, Connecticut, Grand Way was also converted into a large supermarket this Spring. This practically completes our plan to phase out all obsolete general merchandise facilities.

The Grand Way general merchandise program is being geared to the self-service discount store field, in keeping with our long and successful experience in high-volume, low margin and low expense operations. To accomplish this, all lines of merchandise, store layouts and fixtures, pricing points, advertising and promotion policies and store work schedules and systems are being carefully scrutinized and changes made to increase turnover, improve sales and margins and lower expenses.

Three new discount stores, representing 220,000 square feet of added retailing space, will be opened this year. The new Grand Way in Danbury, Connecticut, began business on March 4, 1968, and new Grand Ways will be open in Sunbury and West Chester, Pennsylvania, this Fall.

We look forward to a marked improvement in the Grand Way performance in 1968.

General Administration

The importance of continuing progress in the administration of our organization led to the creation of the new post of Administrative Vice President (referred to in the "Message to Stockholders"), and also to the decision to establish a Computer and Accounting Center.

Now under construction in Paramus, New Jersey, this new 50,000 square foot office building is scheduled to open in late summer. It will house our headquarters data-processing equipment, with allowance for future additions. Some 350 members of the financial, accounting, computing, and research departments now in the company's general offices in East Paterson will be transferred to the Center.

Construction of the Computer and Accounting Center and the re-grouping at the East Paterson headquarters of key management groups heretofore housed in separate locations will improve communications among executive personnel and thereby provide for more effective overall administration by the company.

Diversified Operations

During 1967, Grand Union's wholly-owned Stop and Save Trading Stamp Corporation celebrated the redemption of the 50-millionth book of its Triple-S Blue trading stamps.

Last year more Triple-S stamps were supplied Grand Union supermarkets and the thousands of other retail merchants who use them than ever before. Merchandise redemptions rose 6% over 1966, while seven new redemption centers were opened and three enlarged and renovated. Fifty-nine full-service centers were in operation at year-end, in addition to 12 in-store sub-centers.

Five new redemption centers are planned for 1968. Four present centers are to be re-located in larger quarters and six others renovated.

Trading stamps will continue to be used by Grand Union

Suburban America shops on wheels, and all Grand Union stores in the suburbs have generous parking facilities.

Earl R. Silvers, Jr.
Administrative Vice President

William H. Preis,
Senior Vice President
in charge of Diversified Operations

Thomas R. Doyle
Vice President, Operations

Lloyd W. Moseley
Vice President, Personnel

Emerson E. Brightman, Executive Vice President
in charge of the Supermarket Division (right),
with Samuel I. Omansky, Technical Director
in charge of company's quality control program

Leonard Wolfram
Secretary and General Attorney

Charles H. Haight, Treasurer (right),
with John H. Milbank,
Assistant Treasurer and Controller

This 80,000 square foot Grand Way store was opened in March in the new, indoor Danbury Mall, Danbury, Conn. Two more Grand Way stores are to be opened in 1968.

A colorful display of baskets and artificial flowers helps to make shopping a delight in this Grand Way store.

Newest models of nationally branded color television sets are displayed in the Appliance Section.

Choosing a spring coat from an extensive Grand Way selection.

in 1968 as an integral part of its food advertising and promotion program. After more than twelve years experience, the company has found them a most valuable and effective promotional tool. They have excellent acceptance by the overwhelming majority of our customers.

North American Equipment Corporation, the company's wholly-owned subsidiary which sells gravity shelving for storage, display and order selection to a great number of manufacturers, wholesalers and retailers throughout the country, had an excellent year.

Demand continues strong for the labor-saving North American fixtures, with its Quik Pik storage and selecting unit being increasingly utilized by manufacturers and distributors in the general merchandise, food, beverage, paint, book, greeting card, auto accessory, tobacco and other mass distribution fields.

Record sales are again in prospect for North American in 1968.

Our Grand Rx prescription drug division in the state of Florida now consists of 14 units. Results of the operation have been very satisfactory to date. The feasibility of establishing Grand Rx drug operations in other divisions of the company will be carefully evaluated this year.

The company's Food Service Division, organized sixteen months ago to coordinate the operation of company-owned restaurants and snack bars, is making good progress. Expansion of this phase of the company's business will also be evaluated this year. At present, the Division supervises the operation of 34 units.

At the close of the 1967 fiscal year, Grand Union sold, at a small profit, all of its remaining interest in Performance Incentives Corporation to Premium Corporation of America. It was decided that the Grand Union investment in capital funds and management manpower could be more profitably employed in other areas.

Personnel

The greatest asset of the company is its loyal employees, numbering over 22,000 strong. Throughout the past year, we continued our normal program of recruitment at college and high school levels, conducted extensive training and re-training programs for our employees and have been able, as a result, to follow our basic policy of staffing and promotion-from-within.

In additon to recognizing its responsibilities for the continuance and improvement of Grand Union's traditionally high level of employee performance and for the development of trained personnel throughout all ranks of the company, our Personnel Department has for several years played a major role in discharging the company's obligation as a corporate citizen by recruiting and training members of disadvantaged groups. We have worked in close

Triple-S trading stamp redemption centers feature a wide range of top-quality merchandise, prompt, courteous service, and are conveniently located.

Shoppers choose from thousands of items listed in the Triple-S Blue Stamp catalog. Merchandise thus obtained represents a bonus for shopping at Grand Union and other stores offering Triple-S trading stamps.

cooperation with the Urban League, are a member company in the President's Plans for Progress program and are participating in the National Alliance of Businessmen. We have an increasing number of employees from minority groups employed in positions of responsibility in the company and a strong training program to assist disadvantaged people to learn the skills needed to become self-sufficient. Although progress sometimes seems slow, it is being made and augers well for the eventual solution of this most critical social problem.

Eastern Shopping Centers

Now operating thirteen shopping centers in six states, Eastern Shopping Centers, Inc., of Yonkers, New York, the real estate affiliate in which Grand Union owns a 29% interest, opened its second regional enclosed mall—air-conditioned center in 1967. This was Eastbrook, in Grand Rapids, Michigan. Leasing of mall level stores in the company's first enclosed mall center, Southroads, in Tulsa, Oklahoma, was substantially completed. Existing centers further developed included two in Florida, in Naples and in Sarasota.

Lee Stanfield became President of Eastern in January, 1968, succeeding Edwin N. Homer, who resigned. Mr. Stanfield, for six years a Senior Vice President of Winston-Muss Corporation, New York City, builders and developers in the shopping center, housing and apartment fields, plans to continue Eastern's active program of expansion.

The efficient, labor-saving equipment of North American Equipment Corporation is put to good use in this warehouse of a lingerie manufacturer.

This distribution center in Landover, Maryland, serves Grand Union markets in the Washington, D.C. metropolitan area. Newly enlarged, it features one of the nation's most up-to-date meat handling and storage facilities.

Consolidated Statements

The Grand Union Company and Subsidiaries

INCOME AND RETAINED EARNINGS	Fifty-three weeks ended Mar. 2, 1968	Fifty-two weeks ended Feb. 25, 1967
Net sales	**$935,863,768**	$836,241,741
Cost of sales	**734,438,539**	651,961,104
Gross profit	**$201,425,229**	$184,280,637
Operating and general expenses:		
Salaries and wages to employees in the sales department	**$ 83,133,404**	$ 74,852,924
Other selling, administrative and general expenses	**95,469,872**	87,525,985
	$178,603,276	$162,378,909
	$ 22,821,953	$ 21,901,728
Other deductions, net, including interest (1967, $983,086; 1966, $1,099,423)	**1,756,911**	1,597,917
Income before provision for federal income taxes	**21,065,042**	20,303,811
Provision for federal income taxes (note 4)	**9,685,000**	9,400,000
Net income (per share: 1967, $1.90; 1966, $1.83) (note 3)	**11,380,042**	10,903,811
Retained earnings, beginning of period	**14,005,252**	12,323,777
	25,385,294	23,227,588
Less dividends:		
On common stock:		
In cash, 60¢ per share	**3,468,234**	3,294,211
In common stock, based on market price, 5%	**4,724,487**	5,689,029
On 4½% cumulative preferred stock, in cash	**239,096**	239,096
Retained earnings, end of period (note 6)	**$ 16,953,477**	$ 14,005,252

ADDITIONAL PAID-IN CAPITAL		
Balance, beginning of period	**$ 57,486,630**	$ 53,103,697
Add:		
Excess of retained earnings capitalized in connection with stock dividends over par value of shares issued	**3,334,932**	4,365,999
Excess of amounts received over par value of common shares issued under employees' stock option plans (note 5)	**34,445**	14,009
Excess of principal amount of debentures converted into common stock over par value of shares issued (note 3)	**1,141,797**	2,925
Excess of par value over cost of treasury preferred stock retired	**40,506**	—
Balance, end of period	**$ 62,038,310**	$ 57,486,630

See accompanying financial notes

Consolidated Balance Sheets

ASSETS	Mar. 2, 1968	Feb. 25, 1967
Current assets:		
Cash	**$ 19,309,676**	$ 19,009,597
Temporary cash investments, at cost	**749,100**	347,835
Accounts receivable, less allowance for losses	**4,641,884**	6,624,271
Inventories, at the lower of cost or market (note 1)	**81,981,876**	73,365,219
Total current assets	**106,682,536**	99,346,922
Investment in affiliated company, at cost (note 2)	**2,926,232**	3,691,232
Fixed assets, at cost less allowances for depreciation and amortization (1968, $53,698,984; 1967, $49,549,860):		
Land	**3,075,767**	2,982,581
Fixtures and equipment	**51,594,313**	48,743,889
Leasehold improvements and leaseholds	**15,051,021**	14,424,553
Other	**2,776,217**	3,040,144
Operating and construction supplies	**1,629,158**	1,616,635
Other assets and deferred charges	**3,632,305**	1,916,716
Cost in excess of amounts of net assets at dates of acquisition	**7,411,998**	7,411,998
	$194,779,547	$183,174,670

See accompanying financial notes

LIABILITIES	Mar. 2, 1968	Feb. 25, 1967
Current liabilities:		
Promissory notes due within one year	**$ 1,350,000**	$ 1,400,000
Accounts payable and accrued liabilities	**50,132,597**	44,156,583
Federal income taxes	**3,429,322**	4,798,195
Total current liabilities	**54,911,919**	50,354,778
Promissory notes payable after one year in varying amounts annually through 1973	**6,450,000**	7,800,000
$4\frac{1}{8}$% subordinated debentures, due 1978 (note 3)	**8,362,100**	9,857,100
Liability for unredeemed trading stamps, less amount included in current accrued liabilities (1968, $5,430,372; 1967, $4,828,398)	**1,800,000**	1,600,000
Deferred federal income taxes	**6,243,967**	6,083,027
Deferred investment tax credit	**2,283,900**	1,911,800
Other noncurrent liabilities and reserves	**1,047,914**	982,996
	$ 81,099,800	$ 78,589,701

STOCKHOLDERS' EQUITY		
$4\frac{1}{2}$% cumulative preferred stock, $50 par value, callable at $52 per share; authorized 116,000 shares, issued and outstanding at Mar. 2, 1968, 103,307 shares	**$ 5,165,350**	$ 5,315,400
Common stock, $5 par value, authorized 9,000,000 shares, issued at Mar. 2, 1968, 5,908,936 shares (notes 3 and 5)	**29,544,680**	27,799,490
Additional paid-in capital, as annexed	**62,038,310**	57,486,630
Retained earnings, as annexed (note 6)	**16,953,477**	14,005,252
	113,701,817	104,606,772
Less, treasury stock at cost (at Mar. 2, 1968, 1,722 common shares)	**22,070**	21,803
	$113,679,747	$104,584,969
	$194,779,547	$183,174,670

See accompanying financial notes

Notes to Financial Statements

(1) Inventories: Cost of inventories is determined as follows: at warehouses, "average" or "first-in, first-out"; at retail outlets, "retail method."

(2) Principles of Consolidation: The consolidated financial statements include the accounts of all wholly owned subsidiaries. At March 2, 1968, the company's investment in the affiliated company represented approximately 29% of the outstanding common stock of Eastern Shopping Centers, Inc. Eastern acquires, develops and operates shopping centers. The company's equity in the net assets of Eastern, based upon the most recent audited financial statements, amounted to approximately $3,122,000.

Reference is made to "Diversified Operations" appearing in the text of this report for information regarding the disposition of the company's investment in Performance Incentives Corporation.

(3) Debentures: The 4⅛% debentures outstanding at March 2, 1968 are convertible until July 15, 1968, into common stock on the basis of $21.97 principal amount of debentures for each share of stock. The conversion price is subject to certain adjustments as specified in the indenture. At March 2, 1968, an aggregate of 380,630 shares of common stock was reserved for the conversion of such debentures. Had all the aforementioned debentures been converted into common shares as of the beginning of fiscal 1967 the effect would have been to reduce per share earnings to $1.82.

(4) Federal Income Taxes: The provision for federal income taxes includes $1,407,000 for the period ended March 2, 1968 and $756,000 for the period ended February 25, 1967, applicable to deferred income taxes and investment tax credit. The investment tax credit is being amortized over the useful life of the property.

In 1967 the company paid $874,000 to the Commonwealth of Puerto Rico representing withheld taxes based on accumulated earnings of Puerto Rican subsidiaries which were liquidated. Such operations have continued on a divisional basis and have remained profitable. This amount will be available as a deduction from future years' federal income tax payments and, accordingly, has been reflected as a reduction of the liability for deferred income taxes.

(5) Stock Options: A summary of the share activity of the stock option plans follows:

Options outstanding, February 25, 1967	417,963
Shares added to reflect 5% stock dividend	20,643
Options granted at $17.75 per share	26,894
	465,500
Options exercised, cancelled or expired	42,900
Options outstanding, March 2, 1968 (held by approximately 5,900 employees at prices ranging from $15.77 to $26.59 per share).	422,600

The outstanding options are exercisable in varying amounts through July 13, 1972.

No further options may be granted under the 1961 plan and per share prices for options granted under the 1964 plan may not be less than 100% of the market price on the dates options are granted. Options may not be granted to directors who are not also officers.

At March 2, 1968, 32,673 shares of common stock were reserved for future grants under the 1964 stock option plan.

(6) Restrictions on Dividends: The note agreements and the 4⅛% debenture indenture contain provisions as to the maintenance of working capital and payment of cash dividends. The most restrictive of these provides that consolidated working capital may not be less than $14,500,000, and that payments for net acquisitions of the company's stocks and for cash dividends will be limited in the aggregate to 75% of the consolidated net earnings after March 2, 1957. At March 2, 1968, 75% of such consolidated net earnings exceeded such payments by approximately $34,100,000 and, accordingly, none of the balance of retained earnings is so restricted.

(7) Property Leases: The company operates principally in leased premises and at March 2, 1968 there were 524 leases expiring after February 27, 1971. The minimum annual rentals on such leases, not including real estate taxes or other expenses payable under the terms of certain of the leases, aggregate approximately $16,615,000 of which $1,430,000 pertains to leases for stores not yet open as of March 2, 1968. Of the aggregate annual rentals, $11,750,000 applies to leases expiring prior to February 26, 1983 and $4,865,000 applies to leases expiring thereafter but prior to 1992. In addition, the company is contingently liable on 20 leases, applicable principally to stores sold, expiring after February 27, 1971, but prior to 1984 and having minimum annual rentals aggregating $725,000.

(8) Depreciation and Amortization: Costs and expenses include depreciation and amortization computed on a straight-line basis of $9,114,000 and $8,244,000 for the periods ended in 1968 and 1967, respectively.

(9) Pension Plan: The company maintains a trusteed pension plan covering substantially all employees, except those covered by labor union pension plans to which the company contributes. The total pension expense, which includes amortization of past service cost over 30 years, was $1,180,000 and $1,120,000 for the periods ended in 1968 and 1967, respectively. The policy of the company is to fund pension cost accrued.

Source and Use of Funds

SOURCE	Fifty-three weeks ended Mar. 2, 1968	Fifty-two weeks ended Feb. 25, 1967
Net income	**$11,380,042**	$10,903,811
Charges to income not requiring funds:		
Depreciation and amortization	**9,114,000**	8,244,000
Deferred income taxes and investment tax credit	**1,407,000**	756,000
Sale of stock under stock option plans	**49,945**	20,414
	$21,950,987	$19,924,225

USE		
Cash dividends	**$ 3,707,330**	$ 3,533,307
Additions to fixed assets, net	**12,420,151**	14,019,292
Reduction in long term notes payable	**1,350,000**	1,400,000
Increase in working capital	**2,778,473**	1,238,254
Changes in other assets and liabilities, net	**1,695,033**	(266,628)
	$21,950,987	$19,924,225

Auditors' Report

To the Stockholders, The Grand Union Company, East Paterson, New Jersey:

We have examined the consolidated balance sheet of The Grand Union Company and Subsidiaries as of March 2, 1968, the related statements of income and retained earnings and of additional paid-in capital and the statement of source and use of funds for the fifty-three week period then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the financial statements of the Company and Subsidiaries for the fifty-two weeks ended February 25, 1967.

In our opinion, the aforementioned financial statements present fairly the financial position of The Grand Union Company and Subsidiaries at March 2, 1968 and February 25, 1967, and the results of their operations and source and use of funds for the fifty-three and fifty-two week periods then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

LYBRAND, ROSS BROS. & MONTGOMERY

April 12, 1968
2 Broadway, New York, N.Y.

Ten Year Financial Summary

(Dollar amounts in thousands except for per share figures)

FOR THE YEAR	1967 (53 weeks)	1966	1965	1964	1963	1962	1961 (53 weeks)	1960	1959	1958
Sales	**935,864**	836,242	779,683	740,040	667,417	630,530	640,622	604,274	603,468	503,713
Earnings before federal income taxes	**21,065**	20,304	20,352	18,572	14,370	10,204	14,583	14,471	15,154	13,097
Federal income taxes	**9,685**	9,400	9,500	9,000	7,350	5,150	7,430	7,380	7,800	6,650
Net earnings	**11,380**	10,904	10,852	9,572	7,020	5,054	7,153	7,091	7,354 (4)	6,447
Earnings per common share (1) (2)	**1.90**	1.83	1.82	1.62	1.18	.84	1.21	1.22	1.28	1.21
Cash dividends per common share (1) (3)	**.59**	.56	.54	.52	.50	.49	.47	.46	.43	.38
Stock dividends	**5%**	5%	4%	4%	2%	3%	3%	5%	3%	5%
Depreciation and amortization	**9,114**	8,244	7,517	7,180	6,586	6,381	6,163	5,737	5,289	4,232
Net earnings as a percent of sales	**1.22%**	1.30%	1.39%	1.29%	1.05%	.80%	1.12%	1.17%	1.22%	1.28%
AT THE YEAR END										
Working capital	**51,771**	48,992	47,754	45,858	43,829	38,987	38,210	34,481	30,402	25,143
Ratio of current assets to current liabilities	**1.94 to 1**	1.97 to 1	1.94 to 1	1.96 to 1	2.08 to 1	2.14 to 1	1.98 to 1	1.87 to 1	1.85 to 1	1.73 to 1
Common stockholders' equity	**108,514**	99,270	91,875	83,824	76,607	72,702	70,837	64,759	59,623	51,181
Equity per common share (1)	**18.37**	17.01	15.75	14.46	13.34	12.66	12.31	11.49	10.69	9.37
Number of stores at year end	**542**	540	532	518	503	497	475	472	451	472
Grand Way stores included above	**30**	30	25	25	23	23	20	20	14	11

(1) Adjusted for common stock dividends and the three-for-two split effective June 15, 1959.

(2) Earnings per share are stated after dividends paid on the 4½% cumulative preferred stock.

(3) Dividends on common stock have been paid at an annual rate of 60 cents per share since August, 1959.

(4) Excludes extraordinary gain, net of tax, of $1,621 (29 cents per share) on sale of the Canadian Division.

Directors and Officers
The Grand Union Company

Directors

*THOMAS C. BUTLER
Chairman of the Board

*LOUIS A. GREEN
Chairman of the Executive Committee; Partner, Stryker & Brown Securities, New York City

*CHARLES G. RODMAN
President and Chief Executive Officer

EMERSON E. BRIGHTMAN
Executive Vice President

HELEN G. CANOYER
Dean of the State College of Home Economics, Cornell University

S. WILLIAM GREEN
Attorney, Paul, Weiss, Rifkind, Wharton & Garrison; member New York State Assembly

IRVING KAHN
Partner, Abraham & Co., Securities, New York City

*LAWRENCE C. MARSHALL
Vice Chairman Board of Directors, The Chase Manhattan Bank, N.A.

WILLIAM H. PREIS
Senior Vice President

ARTHUR J. QUINN
Executive Vice President, The New York Bank for Savings

*JOHN E. RAASCH
Former President & Chairman Board of Directors, John Wanamaker

LAURENCE A. TISCH
Chairman Board of Directors & President, Loew's Theatres, Inc.

*Executive Committee

Officers

CHARLES G. RODMAN
President and Chief Executive Officer

EMERSON E. BRIGHTMAN
Executive Vice President

WILLIAM H. PREIS
Senior Vice President

THOMAS R. DOYLE
Vice President

LLOYD W. MOSELEY
Vice President

EARL R. SILVERS, JR.
Administrative Vice President

CHARLES H. HAIGHT
Treasurer

LEONARD WOLFRAM
Secretary

JOHN H. MILBANK
Assistant Treasurer and Controller

FREDERICK H. GUNTSCH
Assistant Secretary

Transfer Agent

The Chase Manhattan Bank, N.A.
New York, N.Y. 10015

Registrar

Chemical Bank New York Trust Company
New York, N.Y. 10015

GRAND UNION SUPERMARKETS

	34	Connecticut
	47	Florida
	19	Maryland
	5	Massachusetts
	19	New Hampshire
	65	New Jersey
	279	New York
	2	Pennsylvania
	24	Vermont
	20	Virginia
	1	West Virginia
	3	Washington, D.C.
	13	Puerto Rico
Total	531	

GRAND WAY STORES

	6	Connecticut Bristol, Danbury, New Britain, Stratford, Waterbury, West Haven
	8	Florida Fort Lauderdale, Miami (3), St. Petersburg (2), Tampa, West Hollywood
	4	New Jersey Closter, East Paterson, Keansburg, Paramus
	10	New York Albany, Binghamton, Cortland, Elmira, Endicott, Nanuet, Newburgh, Plattsburgh, Rome, Wappingers Falls
	1	Vermont South Burlington
Total	29	

TRIPLE-S BLUE STAMP REDEMPTION CENTERS

	7	Connecticut
	7	Florida
	1	Maryland
	3	Massachusetts
	10	New Jersey
	29	New York
	2	Vermont
Total	59	

Totals as of 4/3/68


SELECTED